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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

28 January 1981

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : Deputy Director for National Foreign Assessment
National Intelligence Officer for Warning

25X1 FROM :
Acting NIO for East Asia

SUBJECT : Warning Assessment: East Asia

The following items were discussed by the Community Representatives at the 21 January Warning Meeting. (U)

China

1. Discussion focused on the meaning and significance of the modification and/or reversal of major domestic policies including those with which Deng Xiaoping has been closely identified. Most prominent in this regard is economic policy, but considerable attention was focused on the greater stress in the PRC press on the importance of ideology in education -- an apparent turning away from the more pragmatic approach in this area. Analysts were in general agreement that these events did not signal any change in the power structure but were uncertain as to the origin of the pressures for change or the import of this pattern for China's domestic affairs and foreign policy especially vis-a-vis the US. Some speculated that Deng was under pressure to adopt this more "conservative" posture possibly from the military or that it stemmed from a compromise arrived at to secure the ouster of Hua Guofeng. Others suggested that it may only signal a pattern of compromise prior to the convening of a party plenum. Rejecting this latter notion, some pointed out that the uncertainties associated with these reversals particularly in the area of education could have a significant impact on intellectuals who may now fear that the pattern of reform instituted by Deng is only transitory. (C)

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2. In speculating on the impact of these internal events on US-China relations, analysts pointed to the vigorous reaction of the PRC to Dutch arms sales to Taiwan and Beijing's willingness to erroneously link these to the US. It was generally agreed that this could represent a somewhat harder attitude designed to test US-China relations because of internal developments and uncertainty about the China Policy of the Reagan administration. Nonetheless, this would be done with the realization that the basic tenets that relationship remain constant. (S)

Indochina

3. Analysts agreed that the PRC would launch a "second lesson" against Hanoi only if Vietnam carried out a major invasion of Thailand. The PRC was and would continue to react to smaller provocations along its border with Vietnam with limited, small scale action and the threat of greater military intervention would remain an important factor in tying down Vietnamese forces and bolstering Thai security. (S)

4. Reports of famine in northern Vietnam were reviewed in some detail. Analysts noted increased reporting of the Vietnamese government's attention to the allocation and distribution of rice suggesting a serious and possibly growing problem. There have, however, been no reports of outright starvation, and analysts felt that while the food situation was bad, it had not reached the point where the regime would find it necessary to alter its policy to obtain foreign food support. The continuance of substantial Soviet food assistance in this regard is crucial. Prospects for improvement in the food situation remain grim. Further shifting of food resources from southern to northern Vietnam will probably continue. Diversion of rice from Kampuchea is less likely given the limited quantities available and would only further exacerbate the refugee flow and reduce stocks available there to Vietnamese forces. (S)

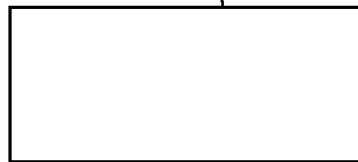
South Korea

5. President Chon Doo Hwan appears to be successfully consolidating his power. [REDACTED]

[REDACTED] the pattern of isolated commentary and maneuver that has traditionally characterized authoritarian military government in South Korea and must be read and evaluated carefully to avoid developing a distorted picture of events. More specifically, analysts generally agreed that President Chon had determined to arrange the commutation of the execution sentence of Kim Tae-chung. This was being done in part on the advice of several close military associates and would probably not weaken Chon's standing within the military. (S)

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6. Analysts took note of the status of the ROK economy as a potentially more serious problem for Chon. The poor performance in 1980 was highlighted and concern registered that the large sums of money to be allocated for the forthcoming National Assembly elections in March could have a disturbing inflationary impact. There are, however, signs that the economy is improving and ROK forecasts of five percent growth in 1981 are regarded as credible barring another significant oil price hike and a shortfall in rice production similar to that last year. (C)



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NOTE FOR DISTRIBUTION

FROM: NIO for East Asia

Attached is the assessment prepared on the basis of the Community views expressed at the 21 January warning meeting.

You or your representative are cordially invited to attend the next warning meeting for East Asia scheduled for 1400 on Wednesday, 18 February in Room 7 E 62, CIA Headquarters. Please provide the name of your representative to by COB 17 February.

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